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DE RUEHRL #1561/01 2271527
ZNR UUUUU ZZH
R 151527Z AUG 07
FM AMEMBASSY BERLIN
TO RUEHC/SECSTATE WASHDC 9028
INFO RUEHC/DEPT OF LABOR WASHINGTON DC
RUEBBEA/DOT WASHDC
RUCNMEM/EU MEMBER STATES
RUCNFRG/FRG COLLECTIVE

UNCLAS SECTION 01 OF 02 BERLIN 001561

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STATE FOR DRL/ILCSR AND EUR/AGS; LABOR FOR ILAB
(BRUMFIELD); TREASURY FOR OASIA

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E.O. 12356: N/A
TAGS: [ELAB](#) [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [GM](#)
SUBJECT: LABOR SHOWDOWN AT DEUTSCHE BAHN: MORE
THAN JUST WAGES AT STAKE

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11. SUMMARY. The anticipated train strike in Germany may have a long-lasting impact on labor relations in this country, as it pits longstanding constitutional rights to strike against the judiciary's authority to defend the national economic interest, and could ultimately delay the government's program to privatize and recapitalize Deutsche Bahn (DB). Breaking with German tradition, the railroad engineers union (GDL) is seeking a separate collective agreement for train drivers, as well as a major pay hike. Following a court decision to prohibit a strike, the two sides have submitted to mediation with an agreement hoped for by the end of August. While ostensibly about wages, the real issue behind the dispute is a shift in the time-honored relationship between management and labor in Germany. A separate contract for GDL would undermine one of the underlying principles of Germany's collective bargaining system: one industry, one company, one union - a principle already under challenge from small unions representing professionals and specialists. END SUMMARY.

A DISPUTE ABOUT WAGES . . . AND MORE
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12. On the surface, the issue is simple. The railroad engineers union, GDL, is threatening to strike because of allegedly inadequate compensation, and is seeking a pay hike of up to 31%. Yet in addition, GDL, in seeking the adoption by DB management of a separate collective agreement for train drivers, is breaking with the tradition whereby workers in huge and diverse industries negotiate common pay increases. DB management has strenuously resisted the union's demands for several reasons: (1) a separate agreement would erode traditional collective bargaining policy; (2) it could ignite steep wage demands from other railway workers; (3) it might scare away potential investors in a newly privatized railway company; (4) if sustained over a period of weeks, a strike could disrupt Germany's just-in-time production and export system, costing as much as 500 million Euros (about \$675 billion) a day, according to

some estimates.

¶3. On August 8, the Nuremberg-based labor court appeared to side with management when it issued an interim injunction ruling that a strike during the peak travel period would damage the national economy. The court banned strikes until the end of September. Nonetheless, the court left open a loophole allowing disruptions of city transportation services operated by DB. The union deftly exploited this on August 9 when drivers idled suburban rail services in Berlin and Hamburg for two hours during the morning rush-hour. However, on August 10, DB and GDL agreed to ask two former CDU politicians to serve as mediators in an effort to settle the dispute. GDL announced it would refrain from staging more strikes until at least August 27, while DB agreed in return not to impose any strike-related penalties. After a first meeting with DB management and union leaders on August 13, the mediators stated their intention to seek a compromise that was acceptable to both sides by the end of the month, but warned against expectations for a swift settlement.

BIGGER ISSUES THAN MONEY

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¶4. Aside from GDL's demand for a substantive pay hike, what's really at stake is a power struggle over the future role and influence of railway workers unions in the German rail system. In addition to the 31% pay rise, GDL is seeking a separate contract for its 16,000 members among

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the 20,000 train drivers. For years, union members have pressured their leader Manfred Schell to seek a separate contract. Schell has stubbornly pursued this goal since 2003 but has run up against equally stiff resistance from DB CEO Hartmut Mehdorn. Many analysts believe Schell, who is set to retire by next spring, sees this as his final chance to leave a lasting legacy. On the other hand, Mehdorn's goal is to move ahead with the privatization of DB, which could be threatened by a prolonged strike. There are also fears that the GDL precedent could lead to other labor showdowns in the railway industry, making DB stock even less attractive to potential investors.

¶5. The dispute illustrates a growing shift in labor market politics throughout Germany. Comprehensive collective bargaining agreements between unions and employers' associations, covering entire industries, were for years the rule, ensuring a remarkable degree of labor market stability. The system is starting to break down: both unions and employers' associations are losing members, and the unions find themselves having to negotiate contracts that give individual firms greater flexibility to meet the demands of global markets. The erosion of industry-wide collective bargaining agreements is taking place in all sectors of the economy, and this trend has accelerated in the past two years. Many such agreements now include opening clauses allowing individual companies to deviate from collective provisions. Industry-wide contracts cover about 43% of all firms, but 51% of firms (mostly smaller ones) have no collective bargaining agreement at all.

COMMENT

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16. So far, the public appears supportive of the train operators. Earning just 1500 Euros (\$2,025) net income a month (plus overtime), a German locomotive engineer with 40 years experience earns little more than an entry-level counterpart in France, and well less than his counterpart in many comparable German industries. Popular opinion could easily change, of course, if the union carried out its threat to shut down both freight and passenger traffic, effectively paralyzing the economy and stranding passengers at the height of the tourist season. Moreover, it could set a damaging precedent, meaning that each and every factory might have to negotiate with scores of unions representing only a fraction of any industries' workers -- a major step backward from the traditional consensual style of labor-management relations in Germany.

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